

**Assembly Bill No. 2465**

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Passed the Assembly May 22, 2008

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*Chief Clerk of the Assembly*

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Passed the Senate August 5, 2008

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*Secretary of the Senate*

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This bill was received by the Governor this \_\_\_\_\_ day  
of \_\_\_\_\_, 2008, at \_\_\_\_\_ o'clock \_\_\_\_M.

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*Private Secretary of the Governor*

## CHAPTER \_\_\_\_\_

An act to amend Section 10509.3 of the Insurance Code, relating to insurance.

## LEGISLATIVE COUNSEL'S DIGEST

AB 2465, Duvall. Insurance: replacement of life and annuity policies.

Existing law regulates the replacement of life insurance and annuity policies. Specified types of life and annuity products and transactions are exempt from the requirements and prohibitions in existing law, including an application to the existing insurer that issued the existing life insurance when a contractual change or a conversion privilege is being exercised.

This bill would add to the transactions exempt from the regulation of insurance and annuity policies an application to the existing insurer that issued the existing life insurance, or when a term conversion privilege, as defined, is exercised among corporate affiliates.

*The people of the State of California do enact as follows:*

SECTION 1. Section 10509.3 of the Insurance Code is amended to read:

10509.3. (a) Unless otherwise specifically included, this article does not apply to the following:

- (1) Credit life insurance.
- (2) Group life insurance or group annuities.
- (3) An application to the existing insurer that issued the existing life insurance when a contractual change or a conversion privilege is being exercised, or when a term conversion privilege is exercised among corporate affiliates.
- (4) Proposed life insurance that is to replace life insurance under a binding or conditional receipt issued by the same insurer.
- (5) Transactions where the replacing insurer and the existing insurer are the same; provided, however, that agents proposing replacement shall:

(A) Comply with the requirements of subdivisions (a) and (d) of Section 10509.4.

(B) Provide and leave with the applicant a written statement containing information relating to premiums, cash values, death benefits, and outstanding indebtedness, and dividends and dividend accumulations, if any, for the existing policy, both immediately before and after replacement, and for the proposed life insurance or annuity.

(b) Registered contracts shall be exempt from the requirements of paragraphs (2) and (3) of subdivision (b) of Section 10509.6 requiring provision of policy summary or ledger statement information; however, premium or contract contribution amounts and identification of the appropriate prospectus or offering circular shall be required in lieu thereof.

(c) “Term conversion privilege” means an option afforded by contract to certain holders of term life insurance policies that permits the policy to be converted into permanent insurance, including whole life insurance, universal life insurance, or variable life insurance, regardless of the insured’s physical condition and without a medical examination. The holder of a term life insurance policy with a term conversion privilege shall not be denied coverage or charged an additional premium for any health problems and premiums for the permanent policy shall be based on the same underwriting class as the term policy, regardless of any changes of health since the term policy was issued.

(d) “Corporate affiliate” means the same as “affiliate” as defined in Section 1215.

Approved \_\_\_\_\_, 2008

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*Governor*